



STATE OF RHODE ISLAND

Public Utilities Commission

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Chairman Ronald T. Gerwatowski
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MEMORANDUM

To: Commissioners

Copy: REGrowth Service List

From: Todd Bianco and Cindy Wilson-Frias

Date: March 29, 2021

Re: Renewable Energy Growth Program – staff straw proposal related to specific performance standards relative to National Grid’s remuneration

Preamble:

As part of the 2021 Renewable Energy Growth Program proposal, National Grid proposed a CRDG adder to increase enrollment of A-60 customers in these projects. One of the issues National Grid raised in its testimony was an “incremental cost associated with low-income customer recruitment” for distributed generation projects. Additionally, the benefit-cost analysis presented by the Company calculates a utility cost savings to National Grid when customers are enrolled in CRDG projects.

The Commission wishes to begin exploring in Docket No. 5088 how National Grid can leverage the Renewable Energy Growth Program to assist low income customers and also save money in its distribution revenue requirement and the Renewable Energy Growth Program, thus benefiting all customers. The Company’s supporting exhibits indicate that their proposal’s costs exceed the benefits, and these net costs increase costs to all customers.

The rationale provided by the utility for the CRDG adder proposal presented in this docket appears to present another opportunity to establish performance standards for National Grid to meet in order to earn its full remuneration. Done correctly, increased enrollments of A-60 customers should provide a financial benefit to the utility, to participants (CRDG project owners and enrolled customers), and to all customers of the utility. In a prior Renewable Energy Growth Program docket, the Commission began to explore the concept of establishing more specific

performance standards to allow National Grid to earn its full remuneration on CRDG projects.¹ More specific performance standards have not yet been established.

The goals of any proposal to enroll A-60 customers should be to lower total program costs over time, create net benefits for National Grid's customers, and to directly benefit as many A-60 customers as possible.

During its Open Meeting in Docket No. 5088, the Commission rejected the proposed LMI adder on the basis that it was not properly designed to meet the stated goal, was too limited in scope, resulted in more costs than benefits to customers, and increased barriers to participation by the intended participants rather than lowering them. The Commission explained that it believes there are less expensive and more efficient ways to reach more LMI customers through the REGrowth program and indicated that it expected to provide a proposal for the stakeholders to consider for next year's program design. Based on the Commission's discussion at the open meeting which directed staff to develop a proposal, the following is a straw proposal developed by staff for discussion at an April 2021 technical session, with the intent a proposal consistent with the following parameters will be filed as part of the 2022 REGrowth Program.

Straw Proposal

National Grid's remuneration calculated on CRDG performance-based payments will be calculated based on a performance standard for helping A-60 customers receive bill-lowering credits from CRDG projects. A target amount or number of credits for A-60 customers will be established and measured annually. If the target is reached, National Grid will receive the full remuneration on the CRDG projects operating in that performance year; if the target is not reached, National Grid's remuneration on CRDG projects will be decreased for that performance year.

National Grid may use its access to A-60 customers seeking help paying their bills to achieve the performance target. For customers seeking to enter into payment plans, National Grid would enroll a customer in a bill-reducing CRDG credit plan for a period to help boost the effectiveness of the payment plan. At the end of the period, or some other reasonable event, National Grid would remove the customer from the program and enroll a new customer, thereby spreading the

¹ R.I Gen. Laws § 39-26.6-12 (j) The provisions of § 39-26.1-4 shall apply to the annual value of performance-based incentives (actual payments plus the value of net-metering credits, as applicable) provided by the electric distribution company to all the distributed-generation projects under this chapter, subject to the following conditions:

- (1) The targets set for the applicable program year for the applicable project classifications were met or, if not met, such failure was due to factors beyond the reasonable control of the electric distribution company;
- (2) The electric distribution company has processed applications for service and completed interconnections in a timely and prudent manner for the projects under this chapter, taking into account factors within the electric distribution company's reasonable control. The commission is authorized to establish more specific performance standards to implement the provisions of this chapter; and
- (3) The incentive shall be one and three-quarters percent (1.75%) of the annual value of performance-based incentives. The commission is authorized to establish more specific performance standards to implement the provisions of this paragraph.

benefits of CRDG to more A-60 customers. National Grid may also seek to first enroll customer that are eligible for a 30% bill discount.

National Grid would use its program administrator status to identify CRDG projects and ways to partner with such projects to enroll customers. Benefits to a project owner may include lower customer acquisition costs, guaranteed customer enrollment and, therefore, full PBI crediting, helping to meet an important goal related to our most vulnerable customers, and helping to lower the cost of a high-cost program designed to increase the growth of their industry.

This design would provide more access to a greater number of A-60 customers than the Company's proposal. Based on National Grid's BCA, the Company would realize utility cost savings for each customer enrolled which should reduce distribution rates over time, thus benefiting all customers. Furthermore, lower acquisition costs may make more CRDG projects profitable, and may eventually cause CRDG projects with high A-60 enrollment to be below the cost of CRDG projects with low customer enrollment. The Commission will need to understand what, if any additional administrative costs the Company would expect by enrolling customers and updating the Schedule B on a quarterly basis.

This concept may require changes to the enrollment rules. CRDG project owners would need to allow Grid to update their Schedule B and would have to adopt a model in which A-60 customers are credited, rather than credited and charged a subscription payment for the credits. The Commission would want to take comment from CRDG developers during the stakeholder process used to plan for the 2022 Renewable Energy Growth Program.

Calculation of the remuneration:

National Grid's incentive under R.I. Gen. Laws § 39-26.6-12(j) applied to the performance-based incentives paid to CRDG projects shall be dependent, in part, on National Grid's success in crediting a sufficient number of CRDG credits to A-60 customers. The initial amount shall be 20% of the kWh output of all projects. This target will be calculated on an annual basis. For achieving A-60 kWh crediting of 20%, the Company shall earn 1.75% on the full performance-based incentives paid to CRDG projects. For each year in which the average crediting of A-60 customers falls below 20%, the Company may earn between 1.4% and 1.75% on the performance-based incentives paid to CRDG projects (this is a sliding scale).

Put another way, National Grid's performance incentive for all CRDG projects will be based on the share of CRDG kWh that generated a credit that was transferred to an A-60 customer. The score will be calculated on an annual basis.

The formula is as follows:

$$CRDG PI = CRDG Payments * \min \left[0.0175, \left(0.0175 - \alpha + \left(\frac{\alpha}{\beta} * \frac{Annual A-60 Credits}{Annual CRDG kWh} \right) \right) \right]$$

Where:

- CRDG PI is the total annual performance incentive earned by National Grid from all CRDG projects in the program during the performance period,
- CRDG Payments are the Performance Based Incentive payments made to project owners by National Grid through the REG program that are currently eligible for inclusion in the calculation of National Grid's performance incentives during the annual performance period,
- Annual A-60 credits are the number of CRDG credits that were distributed from all CRDG projects to A-60 accounts in during the annual performance period,
- Annual CRDG kWh are the number of kWh generated by all CRDG projects during the performance period that were paid a PBI, regardless of whether that PBI was allocated to an A-60 customer, a customer in any other rate class, or unallocated,
- α is the desired zero-level performance adjustment of 0.0035 (i.e., 0.35%), and
- β is the desired target-level performance of 0.2 (i.e., 20%).